

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2001**

NOTE 9 - LEASES**Capital Leases**

King County has entered into agreements to purchase buildings, machinery, and equipment through capital lease and installment purchase agreements. Assets acquired and liabilities incurred through such agreements for governmental funds are accounted for in the General Fixed Asset and General Long-term Debt Account Groups. Such assets and liabilities related to proprietary type funds are accounted for within the proprietary funds.

The following is a schedule of fixed assets and outstanding liabilities relating to capital lease agreements and installment purchase contracts as of December 31, 2001:

	FIXED ASSETS		CAPITAL LEASES PAYABLE	
	General Fixed Asset Account Group	Proprietary Funds	General Long-term Debt Account Group	Proprietary Funds
Building	\$ 83,970,000	\$	\$ 83,970,000	\$
Less depreciation				
Sub-total	<u>83,970,000</u>	<u>-0-</u>	<u>83,970,000</u>	<u>-0-</u>
Machinery and equipment	1,036,326	127,924,848	397,923	43,294,354
Less depreciation		(34,032,728)		
Sub-total	<u>1,036,326</u>	<u>93,892,120</u>	<u>397,923</u>	<u>43,294,354</u>
Totals	<u>\$ 85,006,326</u>	<u>\$ 93,892,120</u>	<u>\$ 84,367,923</u>	<u>\$ 43,294,354</u>

The following is a schedule, by year, of future minimum lease payments under capital lease and installment purchase agreements together with the present value of the net minimum lease payments as of December 31, 2001:

	General Long-term Debt Account Group	Proprietary Funds
2002	\$ 5,026,626	\$ 13,205,924
2003	6,322,639	13,082,324
2004	6,248,854	15,323,559
2005	6,197,797	6,720,647
2006	6,198,643	-
Later years	<u>118,904,260</u>	<u>-</u>
Total minimum lease payments	148,898,819	48,332,454
Less: Amount representing interest	<u>64,530,896</u>	<u>5,038,099</u>
Present value of new minimum lease payments	<u>\$ 84,367,923</u>	<u>\$ 43,294,355</u>

Operating Leases

The County has numerous operating lease commitments for office space, equipment, radio towers, and railroad tracks. The Information and Telecommunications Services Fund leases computer hardware. These leases include maintenance agreements. Expenditures for the year ended December 31, 2001, for operating lease and rental agreements for office space, equipment, and other operating leases amount to \$21.1 million. The patterns of the future lease

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NOTE 9 - CONTINUED

payment requirements are systematic and rational. Future minimum lease payments for these leases are as follows:

<u>Year</u>	<u>Office Space</u>	<u>Equipment</u>	<u>Other</u>	<u>Total</u>
2002	\$ 9,215,000	\$ 212,000	\$ 702,750	\$ 10,129,750
2003	8,620,500	209,000	543,500	9,373,000
2004	5,500,000	174,500	486,900	6,161,400
2005	4,455,000	81,400	451,800	4,988,200
2006	3,532,000	60,000	424,200	4,016,200
Later years	4,753,000	34,000	587,575	5,374,575

The County currently leases some of its property to various tenants under long-term, renewable and non-cancelable contracts. The King County Airport Enterprise, in particular, leases out most of the buildings and grounds in the Boeing Field/King County International Airport complex to companies and government agencies in the aviation industry. The General Fixed Assets Account Group also includes some land and building space under long-term operating lease.

The following schedule is an analysis of the County's investment in property under long-term, non-cancelable operating leases as of December 31, 2001:

	<u>Buildings</u>	<u>Land</u>
King County Airport Enterprise	\$ 17,043,145	\$ 22,504,350
General Fixed Assets	<u>1,166,542</u>	<u>479,184</u>
Total cost of property under lease	<u>\$ 18,209,687</u>	<u>\$ 22,983,534</u>

The following is a schedule by year of minimum future lease receipts on non-cancelable, operating leases for the next five years based on contract amounts and terms as of December 31, 2001:

<u>Year ending December 31</u>	<u>Enterprises</u>		<u>General</u>	<u>Total</u>
	<u>Airport</u>	<u>Other</u>	<u>Fixed Assets</u>	
2002	\$ 4,476,839	\$ 103,203	\$ 1,615,780	\$ 6,195,822
2003	4,452,412	97,203	1,490,453	6,040,068
2004	4,452,412	78,971	1,366,764	5,898,147
2005	4,452,412	42,040	1,258,200	5,752,652
2006	4,386,738	13,500	1,237,850	5,638,088